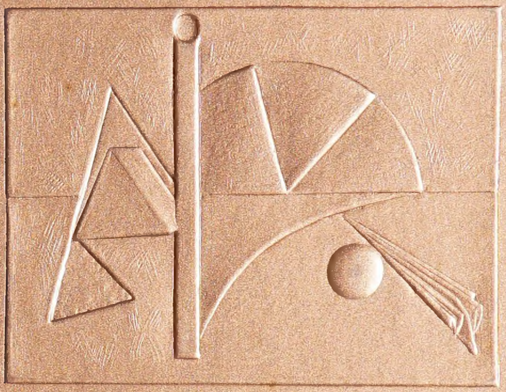
Brascan Annual Report 1982



Brascan
LIMITED

Brascan Limited is a major natural resources and consumer products company with important interests in the financial services sector.

Natural Resources

Brascade Resources Inc. 70%
Natural resources holding company

- **Noranda Mines Limited 42%**
  Mining, oil and gas, manufacturing and forest products

Westmin Resources Limited 61%
Mining, oil and gas

Consumer Products

John Labatt Limited 40%
Brewing, consumer and agri products

Scott Paper Company 24%
Tissue, printing and publishing papers and forest products

Financial Services

Trilon Financial Corporation 49%
Financial Services

- **London Life Insurance Company 98%**
  Life insurance and financial services

Royal Trustco Limited 18%
Trust and financial services

Other Operations

Great Lakes Power Group 49%
Hydro-electric power generation and other investments

Brascan Brazil 100%
Natural resources, real estate and other investments

Financial Highlights

millions	1982	1981
Net income	$ 60.1	$ 107.9
Dividends	79.6	65.7
Shareholders' equity	1,230.6	1,250.4
Total assets	3,365.0	3,266.2
Per ordinary share		
Net income	$ 1.04	$ 3.30
Dividends	1.80	1.70
Shareholders' equity	33.87	34.61
Ordinary share statistics		
Market prices		
High	$ 24½	$ 37¼
Low	12⅝	23½
December 31	19⅝	23⅝
Average shares outstanding—millions	26.5	26.4
Registered shareholders	28,139	28,507

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Brascan
LIMITED

President's Report To Shareholders

Brascan's net income for the year was $60.1 million compared to $107.9 million in 1981. After providing for preferred share dividends, net income per ordinary share was $1.04 compared with $3.30 in 1981.

The lower earnings for the year were the result of the reduced contribution from Noranda. We are particularly pleased with the earnings reported by our other operating companies. Their performances were encouraging in view of the widespread economic problems that continued throughout 1982. A return of Noranda's earnings to the average level of the previous five years, would increase Brascan's earnings by $4.00 per share.

Recognizing the recessionary climate, Brascan approached 1982 as a year of reorganization and consolidation. Initiatives were taken in each of the three major sectors to bring operations more closely in line with Brascan's long-range plans, making 1982 in this respect a satisfactory year.

Natural Resources

While Noranda reported a loss of $82.9 million in 1982, it is important to recognize that this was the first loss in its 60-year history. The negative impact of the economic downturn and its effect on commodity prices was anticipated at the time Brascade acquired its position. However, the depth and duration of the recession was greater than we had expected. This has not in any way diminished our view of Noranda as one of the world's leading natural resources companies, with unique and extensive assets. In spite of the difficult year, Noranda remains in a strong financial position, well placed to take advantage of improving economic conditions.

Brascan and Caisse de dépôt et placement du Québec, our 30% partner in Brascade, favoured the continuation of Brascade's dividend policy throughout 1982. In support of this policy, we jointly subscribed for $30 million additional common shares of Brascade early in 1983. To assist Noranda in conserving its cash, Brascade elected during the year to receive 483,000 common shares of Noranda in lieu of cash dividends. Also during the year, Brascade considered, but deferred for a variety of reasons, a number of opportunities including the combination of our holdings in Brascade and Westmin in a manner whereby Westmin would continue as a widely held public company.

Our holding in Westmin was restructured during the year to improve Westmin's Canadian ownership rating, with the result that at the end of 1982 Brascan held a 67% interest. Early in 1983, Westmin issued 3.6 million common shares for $50 million reducing Brascan's interest to 61%. This cash improves an already strong balance sheet and places Westmin in an advantageous position to exploit future opportunities. Westmin continued to perform well in 1982, reporting record earnings of $39.8 million. Westmin's exceptional performance can be attributed to the efforts taken in recent years to minimize the impact on earnings of cyclical commodity prices normally associated with natural resources companies.

Consumer Products

Labatt, Brascan's major holding in the Canadian consumer products sector, reported record earnings of $60.9 million. The brewing group continued to hold its leading national market share. The packaged food group performed well with notable success by Catelli, Chateau-Gai and Chef Francisco. Satisfactory increases in sales and earnings

Dorothy Hayes, Brascan's receptionist, welcomes you to the corporate offices in Toronto, Canada.

were also reported by the agri products group, particularly by Ault Foods and its Dominion Dairies division.

Scott, Brascan's major consumer products investment in the United States, reported reduced earnings of U.S. $74.5 million for 1982. The reduction was largely a result of currency adjustments associated with international operations, particularly the devaluation of the Mexican peso. In the important domestic market, major earnings improvements resulted from the implementation of Scott's five year strategic plan with its emphasis on cost reductions and capital investment to improve productivity. During 1982 Brascan increased its interest in Scott to 24%.

Financial Services

Considerable progress was made in 1982 towards combining Brascan's financial services interests. In February 1982 Brascan increased its direct and indirect interest in London Life and subsequently formed Trilon Financial Corporation to further its initiatives in the financial services sector. In November 1982 Trilon completed the acquisition of 80% of the shares of London Life through an exchange of shares with London Life's major shareholders. This was followed by a public offer on a similar basis to all London Life shareholders which increased Trilon's interest in London Life to more than 98%. Additional investment opportunities are currently under consideration by Trilon.

London Life reported improved shareholder earnings of $23.8 million notwithstanding the difficulties experienced in the early part of the year in selling their traditional products occasioned by federal budget proposals affecting the life insurance industry. These proposals were subsequently amended to the general satisfaction of the industry.

Royal Trustco, in which Brascan holds an 18% interest, reported improved earnings of $43.6 million. Brascan's involvement, both at the board level and in assisting with Royal Trustco's strategic planning, increased during the year. Brascan has provided Trilon with the opportunity to acquire its investment in Royal Trustco at a time and on terms that are mutually agreeable.

Brascan's 44% interest in Triarch Corporation was sold in 1982 to its partners in order to prepare the way for Trilon to provide services similar to those offered by Triarch, directly or through its principal operating affiliates.

Other Operations

Brascan Brazil reported record earnings of $17.8 million of which only the portion remitted as dividends was recorded in Brascan's financial statements. Brascan Brazil has continued to concentrate on the real estate and natural resources sectors in order to provide an effective hedge against the country's currency and inflation problems. In addition, steps were taken to re-enter the financial services sector to supplement the operating affiliates' needs in this area and to more closely align the company's activities with those of its parent. During the year, Brascan transferred its 49% interest in a Brazilian forest products joint venture to MacMillan Bloedel, its 51% partner in the operation and the group's major Canadian forest products company controlled through Noranda.

Great Lakes Power Group reported record earnings of $8.3 million as a result of improved utility operations and favourable investment activities. Great Lakes Power formed GLN Investments Ltd. in 1982 as an 80% subsidiary to hold a 17% interest in Union Gas Limited. Great Lakes Power also successfully completed its major development project on the St. Mary's River in Northern Ontario with the

commissioning of the Francis H. Clergue hydro-electric facility by Ontario Premier William Davis in February 1983. This $115 million project, which increased the company's total generating capacity by 15%, serves to highlight the replacement value of the company's existing facilities.

Corporate

Since the last annual meeting, Frederic Y. McCutcheon, having sold his interest in the Patiño group, retired from the Board and was appointed an Honorary Director. John F. Gallagher will not be standing for re-election and will also be appointed an Honorary Director. Their counsel and advice has been invaluable particularly during the past four years as Brascan undertook its ambitious long range plan.

A. William Farmilo will not be standing for re-election at this year's annual meeting, but will also be appointed an Honorary Director. Bill Farmilo joined the Brascan group in 1972 to develop the company's natural resources activities and deserves much credit for the rapid development of Westmin into a major natural resources company. He also performed an important role at the head office level during Brascan's transition from a utility company to its present operating form. In addition he has been a respected mentor and counsellor to present management, a role he will continue to serve.

At the 1983 annual meeting Paul M. Marshall, President and Chief Executive Officer of Westmin, will join the Brascan Board to fill the vacancy left by the retirement of Bill Farmilo. This appointment will provide continuing representation by Westmin. In addition, Mr. John F. Kearney and another nominee of the Patiño family are expected to join the Board representing their important shareholdings in Brascan.

In view of the current state of the North American economy, Brascan's senior management voluntarily agreed to limit its remuneration in 1982 and 1983 to the levels set in 1981.

Progress and Outlook

In a year of depressed economic activity in North America and abroad, Brascan was able to withstand the difficulties experienced in the natural resources sector because of the stability of the consumer products and financial services sectors. In addition Brascan's unique financial structure, supported by its large credit facilities and the liquidity enjoyed by its operating affiliates, enabled the company and its affiliates both to avoid issuing common equity at depressed values and locking in debt service costs at the high levels prevailing during the year.

Brascan's long range plan envisaged a period of consolidation after implementing the major investment initiatives. The consolidation which began in 1982 will continue into 1983 as we proceed with the further development and strengthening of our corporate and operating structures. Our plan for 1983 anticipates an improvement in the value of underlying assets, increased earnings and the maintenance of regular quarterly dividends at the current rate. Your Board of Directors, senior officers and staff are committed to improving Brascan's performance in these difficult economic times and look forward with confidence to the recovery which is now showing early signs of emerging.

On behalf of the Board,

J. Trevor Eyton
President and
Chief Executive Officer

March 8, 1983

Business of the Company

Allocation of Resources

Brascan is a major natural resources and consumer products company with important interests in the financial services sector. As shown below, 53% of Brascan's corporate investment holdings are dedicated to natural resources, 34% to consumer products and 13% to financial services and other operations.

millions	Carrying Value	1982 Income
Natural Resources		
Brascade/Noranda	$ 758.2	$(58.8)
Westmin	100.8	28.9
Consumer Products		
Labatt	193.5	25.8
Scott	361.2	17.5
Financial Services		
Trilon/London Life	54.1	9.3
Royal Trustco	81.3	6.1
Other Operations		
Brascan Brazil	50.3	.5
Great Lakes Power	34.7	8.3
Total corporate investments	1,634.1	37.6
Liabilities less financial assets	(403.5)	22.5
Shareholders' equity/net income	$1,230.6	$ 60.1

The summary information provided above is in a form which differs from the consolidated financial statements in that the carrying values reflect Brascan's common share investments based on the equity method of accounting.

Each of Brascan's principal operating companies has major operating affiliates of its own. Noranda, for example, has major shareholdings in MacMillan Bloedel, Brunswick Mining and Smelting, Placer Development, Canadian Hunter, Kerr Addison Mines, Canada Wire and Cable, Carol Cables, Fraser Paper, James MacLaren Industries, and Northwood Pulp and Timber. Labatt's various divisions, besides brewing, include Catelli, Dominion Dairies, Sealtest, Chateau-Gai, LaMont Wines, Ault Foods, Habitant, Terra Foods, Ogilvie Flour, Chef Francisco, Zymaize and McGavin Foods.

The following table further illustrates the scope of the group's operations by showing the total sales revenues generated by Brascan's principal operating companies and their equity accounted affiliates, and Brascan's beneficial interest therein:

	Revenues	
millions	Total Group	Brascan's Share
Natural Resources	$ 5,577	$1,331
Consumer Products	6,942	1,779
Financial Services	2,762	1,049
Other Operations	550	335
	$15,831	$4,494

Based on Brascan's beneficial interest in group sales revenues, Brascan ranks as one of Canada's most senior companies.

Business Philosophy

Brascan prefers to limit its shareholdings in its principal operating companies to approximately 50% notwithstanding investment logic dictating Brascan should acquire 100% of these quality companies. Brascan however, adheres to the principle of significant public ownership because of its strong belief in the financial and management benefits to be derived from operating companies continuing as widely held public companies.

The public company status of Brascan's operating companies reinforces the autonomy of their managements who are encouraged to own equity interests in their companies, and through their own efforts to create the major portion of their rewards in a manner consistent with the interests of all shareholders.

Brascan expects its operating companies to be fundamentally self-sufficient and to have superior management with the requisite level of expertise. Given this, Brascan contributes its ideas at the board level, seeking consensus on all major matters, and does not normally involve itself in the daily affairs of such companies. Brascan does, however, encourage and support the managements of its operating companies with major corporate initiatives and in establishing performance goals.

Brascan believes in the principle of cumulative voting for the election of directors so as to ensure proportionate shareholder representation on the boards of public companies. Not only does Brascan limit itself to no more than

Brascan's board room, where the company's policy and overall direction are determined.

its proportionate representation, but it also seeks out and supports nominees representing other substantial shareholders. This reflects Brascan's belief that public companies should attract and retain independent directors with a sufficient investment in the company to justify a personal commitment in time and effort, allowing them to make an effective contribution.

Brascan encourages board members to assess management's performance against the company's business plan and comparable industry standards. In addition, board members are encouraged to play an active role in the appointment of the company's senior officers. Brascan believes its involvement assists in attracting superior executives to serve as the senior management of its operating companies.

Brascan's business philosophy has been publicly stated and consistently followed by Brascan for many years, and has resulted in the excellent relationships that have developed over that time with the senior managers and directors of its operating companies.

Strategic Plan

Following the sale of the Brazilian electric utility in January 1979 Brascan adopted a definitive five year business plan. During the last three years, Brascan has successfully transformed itself from one of the world's largest private utility operators to a major natural resources and consumer products company with important interests in the financial services sector.

The first phase of the program entailed the realignment of the assets and activities of the existing operating companies, and the commencement of a major corporate financing program. The assets in each of the company's three sectors were examined and reorganized. The assets which did not fit the defined corporate objectives were sold. Other assets were restructured and in some cases reorganized into joint ventures. Equity-related financing, totalling $1.3 billion, was raised to supplement the significant cash on hand from asset sales.

The second phase of the program entailed the acquisition of major interests in important operating companies to establish the desired balance between natural resources, consumer products and financial services. Thus, Brascade was organized to acquire the controlling interest in Noranda, and Trilon to acquire the controlling interest in London Life. During this phase Brascan also acquired important holdings in Scott and Royal Trustco, and increased its interest in Labatt.

The natural resources sector was selected as the company's most significant area of operation, offering considerable earnings potential notwithstanding the inherent cyclicality of these earnings. Resource properties were considered to provide an important hedge against the inflation and currency depreciation we anticipate will prevail over the longer term.

Investment in the consumer products sector was selected to provide Brascan with a reliable earnings base moderating the impact of the cyclical earnings normally associated with the natural resources investments.

The financial services sector, a highly-leveraged area of activity, was selected to provide Brascan with an important participation in the financial markets. While important, these investments require a relatively small part of the company's equity, and do provide a stable source of earnings.

Brascan also chose to retain an interest in two operating units which provide an important link with its past. Through its long historical connection with Brazil, Brascan is familiar with the rich development of that country and enthusiastic about participating in that development. The expertise acquired when Brascan was one of the world's largest private utility operators serves it well in its ownership of Great Lakes Power.

Operating Objectives

Brascan's operating emphasis is on total return, comprising increases in underlying asset values as well as reported earnings.

In the current phase of the corporate development program, Brascan's principal objectives are:

- ☐ To achieve the long-range goal of holding approximately 50% of each of the principal operating com-

panies. This will involve the further restructuring of assets and the sale of non-strategic holdings, including the sale of shareholdings in excess of 50% where appropriate.

- ☐ To moderate the impact of the cyclical earnings associated with the natural resources sector by emphasizing joint ventures, the forward sale of commodities, and other similar risk-sharing arrangements.
- ☐ To achieve over time a matching of corporate debt with financial assets so that Brascan's principal equity investments will be funded with offsetting Brascan equity.

Consistent with its earnings expectations, Brascan is committed to a strong dividend policy with the objective of maintaining and where appropriate, increasing dividends. Brascan also encourages its operating companies to follow a similar policy. Brascan believes a firm dividend policy benefits companies by facilitating their access to capital markets and benefits shareholders by providing higher yields and market values.

Financial Resources

Brascan's financial structure makes it exceptional among major Canadian corporations. In addition to the benefits derived from the partial public ownership of its operating companies and close working relationships with its partners, Brascan's financial strength stems from the following:

- ☐ Substantial liquidity is derived from the quality and diversified nature of Brascan's principal operating companies. Each operating company is self-sufficient and severable from the group, enabling it to be dealt with separately without affecting any of the remaining companies.
- ☐ Each of the operating companies is a leader in its industry, is capable of self-financing and has direct access to public capital markets. Brascan does not guarantee the obligations of its operating or holding companies.
- ☐ Substantial contractual lines of credit are maintained to provide flexibility in timing Brascan's access to the public capital markets to best advantage.

Brascan maintains undrawn lines of credit for general corporate purposes of approximately $500 million. These credit facilities are available to bridge cash required to further the corporate development program and to act expeditiously in taking advantage of special investment opportunities. In addition, Brascade and Westmin together have approximately $250 million of undrawn lines of credit available to them for investment purposes.

Brascan's financial structure is designed to ensure that financing will always be available to assist the operating affiliates should the need arise.

When acquiring additional holdings, Brascan does not employ traditional procedures which usually entail the payment of substantial premiums. Brascan prefers to limit any premium to a small portion of the shares acquired and preferably through treasury share subscriptions which strengthen the company in which the investment is made. The acquisition of the company's interests in Noranda and Scott are examples of this policy and its merits.

Corporate Responsibility

The companies in the Brascan group comprise an increasingly important part of the private sector, which we view as the fulcrum on which our economic system is balanced. Brascan and its affiliates believe their corporate responsibilities extend beyond the immediate environment of the corporate office. Hence, in addition to striving to improve their revenues, earnings and dividends, they are dedicated to contributing to the communities in which they operate.

Many areas of North American life are deeply enriched by the cultural, social, athletic, educational and civic programs supported through the generosity of the private sector. Brascan, for its part, plays an active role in the social and business communities in which it operates through its own participative programs and through similar programs in its operating companies.

Review of Operations: Natural Resources

Brascade Resources Inc.: 70%

Brascade is presently a holding company whose main asset is a 42% interest in Noranda. In due course it is expected that Brascade will acquire other natural resources interests and become an operating company in its own right.

Brascan has a well diversified position in the natural resources sector. The following table illustrates the reserves of some of the natural resources in which Brascan has a beneficial interest, expressed in terms of one hundred Brascan ordinary shares.

	Estimated beneficial interest per 100 Brascan shares
Metal in Ore Reserves	
Copper—lbs.	7,100
Zinc—lbs.	25,900
Lead—lbs.	7,400
Molybdenum—lbs.	240
Tin—lbs.	140
Potash—long tons	125
Silver—ozs.	340
Gold—ozs.	5
Energy Reserves	
Oil—barrels	170
Gas—thousand cubic feet	2,400
Land—net acres	10
Coal—long tons	850
Forest Products	
Owned timber—acres	3.8
Leasehold timber—acres	5.3

The present worth of Brascan's beneficial interest in the foregoing resources is a function of the timing of their recovery, the respective prices then prevailing, dilution on extraction, costs of extraction, interest rates and other financial and operating variables. In addition to the above, Brascan's shareholders have beneficial interests in the smelters, refineries, pulp and paper mills and gas plants owned by the operating companies to process their ores, forest products and energy assets.

The decline in industrial output among the major developed countries in 1982 had a dramatic effect on commodity prices. The very severe economic downturn necessitated the substantial curtailment of production and layoffs of personnel in the natural resources sector in order to bring supply and demand more into balance. By the end of 1982 the unemployment rate among mine and smelter workers in Canada exceeded 50%, over four times the national average.

The average price of copper in real terms declined to a level unseen since the end of the Second World War while that of zinc experienced the lowest level in a decade. The average lead price in real terms was a record low. Offsetting the declines in base metal prices to some extent was the much more satisfactory performance of precious metal prices which began to appear in mid-1982, reversing a declining trend existing since the last quarter of 1980.

Housing starts in the United States in 1982 were just over one million, the lowest level in thirty five years, with the result that demand for softwood lumber was extremely depressed through most of the year. As far as North American producers were concerned, the effects of reduced demand for pulp were aggravated by the devaluation of competitors' currencies. In addition to reduced demand for newsprint in 1982, previously planned capacity expansions placed further pressure on prices.

Canadian oil and gas revenues continued to benefit from price increases in 1982, however, uncertainty governs further increases this year because of the weakening world oil price.

Towards the end of 1982 the first signs of economic recovery began to appear in response to interest rates which had been declining since summer. Recent U.S. housing starts and automobile production have been strong. Further strength in lumber, base and precious metals prices has appeared thus far in 1983 and there are signs that pulp prices may be bottoming.

On the positive side, the recession caused operating managements to concentrate on their production costs, with the result that break even levels have been reduced substantially. Companies possessing cost effective production capacity should report a dramatic increase in earnings once prices recover and production volumes approach capacity levels. Given the current stimulatory nature of U.S. economic policy, 1983 should see higher prices for most commodities produced by Noranda and Westmin, with the full profit benefit derived from increased volumes being realized in 1984 and beyond.

The combined forestry interests of Scott and the Noranda group comprise 14 million acres, one of the largest private sector timberland holdings in North America.

Noranda Mines Limited: 42%

Noranda and its associated companies are engaged in four major areas of business: mining and metallurgy, oil and gas, manufacturing and forest products.

Summarized Financial Information

millions	1982	1981
Total assets	**$5,704.9**	$5,248.6
Shareholders' equity	**2,705.9**	2,869.4
Revenue	**2,830.2**	3,030.4
Net income (loss)	**(82.9)**	164.8
Earnings (loss) per share	**(1.00)**	1.33
Cash flow from operations	**113.7**	301.2

Because of the particular severity of the economic recession Noranda recorded the first loss in its history in 1982. The loss for the year was $82.9 million compared to net earnings of $164.8 million in 1981 and $408.4 million in 1980. Noranda's mining and metallurgical, manufacturing and forest products divisions all recorded losses in 1982, whereas all divisions were profitable in 1981.

Mining and Metallurgical

Mining and metallurgical operations reflected a loss of $22.2 million in 1982 in comparison to earnings of $15.8 million in 1981. The effects of the extremely depressed metal prices, accentuated by strikes at Canadian Copper Refiners Limited and Canadian Electrolytic Zinc Limited, were the primary reasons for the loss. In the absence of the strikes the mining and metallurgical division would have been marginally profitable.

Despite the low level of metal prices Noranda continued with mine developments including the Grey Eagle gold mine in California which commenced operations in October and the Goldstream copper, zinc and silver mine in British Columbia which is scheduled to commence production in the first half of 1983. A new 400 ton per day oxygen plant at the Horne Smelter became operational in October. The optioning of the Golden Sceptre and Goliath Gold properties in the Hemlo area of Ontario, where significant gold mineralization has been indicated, was particularly noteworthy during 1982.

Oil and Gas

Canadian Hunter's total gas production declined due to reduced contract allocations at the Elmworth and Wapiti fields.

Noranda has a direct interest of 75% in the Canadian Hunter joint venture.

In January 1983 Canadian Hunter received approval from the Energy Resources Conservation Board to build a gas liquids extraction plant at Elmworth. Hitherto, the gas liquids had been extracted by the straddle plant operators without benefit to Canadian Hunter.

Forest Products

Forest products operations recorded a $55.7 million loss in 1982 in contrast to earnings of $21.1 million in 1981. The poor forest products markets resulted in a further decline of employment levels from the already reduced labour force at the end of 1981.

Construction of Fraser's $190 million pulp mill expansion in Atholville, New Brunswick, continued in 1982 and reached an approximate 60% completion stage by the end of the year. All sections of Northwood Pulp's $385 million Prince George pulp mill expansion project have now been tested in preparation for full scale production in early 1983. The new mill approximately doubles Northwood's existing pulp capacity. MacMillan Bloedel completed its 190,000 tonnes per annum corrugated paperboard mill in Alabama in December.

Manufacturing

Manufacturing operations, whose earnings during 1981 had been sustained at $58.6 million, recorded a loss of $14.2 million in 1982 before unusual items, the smallest loss among Noranda's divisions. Losses at Noranda's main aluminum operations were the prime reasons for the overall loss, while the Canada Wire operations continued to be profitable in 1982. The third potline was added to the New Madrid, Missouri, aluminum smelter in the fourth quarter of 1982 at a cost of U.S.$240 million.

Corporate

Despite the extremely difficult economic environment in 1982, Noranda's balance sheet at year end was satisfactory with total debt, net of cash and marketable investments, at 64% of total equity. The company's year end working capital position was also strong with current assets 2.4 times current liabilities.

Noranda's Northwood mill in Prince George, British Columbia, was expanded in 1982, and is now the largest pulp mill in the world.

Westmin Resources Limited: 61%

Westmin is a natural resources exploration and production company with interests in oil and gas, base and precious metals and coal properties.

Summarized Financial Information

millions	**1982**	1981
Total assets	**$419.7**	$353.0
Shareholders' equity	**306.4**	287.3
Revenue	**124.9**	106.1
Net income	**39.8**	32.9
Earnings per share	**.65**	.58
Cash flow from operations	**72.2**	63.4

Westmin's diverse natural resources base insulated the company from the adverse economic environment which prevailed during 1982. Increased earnings from oil and gas and coal more than offset reduced base and precious metal earnings. Net income rose to $39.8 million in 1982, an increase of 21% over the previous year's level.

Oil and Gas

Aided by substantial increases in heavy oil volumes, oil production reached 961,000 barrels in 1982 compared with 770,000 barrels in 1981. Gas sales were 15.1 bcf in 1982, approximately the same as the previous year's level. Oil and gas operating profit in 1982 was $41.1 million compared with $28.3 million in the preceding year.

As a result of increased heavy oil production and new gas sales contracts, on which deliveries commenced in the last quarter of 1982, Westmin anticipates a further significant increase in the petroleum division cash flow and earnings in 1983.

After allowing for production, gross proven and probable oil and natural gas liquids reserves increased to 82.6 million barrels in 1982 from 74.5 million barrels in 1981, while proven and probable gas reserves reached 522.3 bcf by the end of 1982 compared with 500.9 bcf at the end of 1981.

Westmin's pilot heavy oil enhanced recovery program was successfully introduced in 1982. Production revenues from this test program not only recovered costs but also contributed to company profits. Given this success, Westmin intends to aggressively develop its large heavy oil properties which contain over a billion barrels of oil in place.

Mining

Notwithstanding weak base metal prices, and helped by the precious metal content of its ores, the mining operations on Vancouver Island continued to be profitable during 1982. The metal mining operating profit was $9.5 million in 1982 compared with $24.1 million in 1981.

The new 3,000 ton per day shaft under construction on the H-W orebody is approaching its 2,350 feet target depth and should be bottomed out by early in the second quarter. In addition to further defining the H-W orebody which is still open to the east, mine site exploration identified the westward extension of the high grade Lynx ore deposit, which is the main source of ore for the existing 950 ton per day mill.

Westmin continues to hold its 25% interest in Lacana, a precious metal producer with operations in Canada, the United States and Mexico.

Coal Properties

During 1982 the underlying value of Westmin's large coal reserves was highlighted by the conclusion of a forty year lease agreement covering 120 million tonnes of coal on Westmin's freehold land in the Lake Wabamun area of Alberta. The lease included a $10 million royalty payment on closing and a further $2.2 million as production royalties for the year 1982, together with a commitment to pay escalating "take-or-pay" production royalties in succeeding years. Including the above royalty payments, Westmin's operating profit from coal and industrial minerals reached $13.8 million in 1982 compared with $1.4 million in the preceding year.

Westmin's recoverable freehold coal reserves in Western Canada approximate 400 million tonnes of thermal coal. In addition, Westmin has priority rights on 210,000 acres of Crown land in Alberta overlying some four billion tonnes of in place thermal coal situated on rail about 70 miles west of Edmonton.

Corporate

At the end of 1982 Westmin's balance sheet was strong with total debt outstanding of only $28.7 million, while shareholders' equity at book value was $306.4 million. Subsequent to year end Westmin issued 3.6 million treasury shares by way of a private placement to institutional investors at $14.00 per share. This issue increased Westmin's Canadian ownership rate and broadened the institutional interest in Westmin as a major natural resources company.

Westmin, a major freehold landowner in Alberta, participated in 166 wells in 1982 ranking it in the top 10 most active oil and gas companies in Alberta.

Review of Operations: Consumer Products

Brascan's involvement in the consumer products sector is confined to the non-durable area. Brascan finds this area attractive in that earnings and cash flows from these operations are far less cyclical than those from the natural resources sector.

An indication of the extent of Brascan's involvement in this area can be obtained by reference to the following table which shows Brascan's beneficial interests in the production capacities of Labatt and Scott expressed in terms of one hundred Brascan common shares.

Annual Production Capacity	Estimated beneficial interest per 100 Brascan shares
Beer—litres	1,369
Milk—litres	1,710
Wine—litres	233
Flour—lbs.	2,305
Corn sweeteners—lbs.	232
Starch—lbs.	239
Gluten—lbs.	46
Tissue paper (U.S. and Canada only)—lbs.	1,958
Printing and publishing papers—lbs.	1,492

The ultimate stability of the consumer non-durable sector stems from the staple nature of most of the products. These products are purchased in similar quantities in good or bad times. In economic terms the demand for these staple products can be described as relatively inelastic. While the consumer may switch to different price ranges for the same product category in response to economic conditions, most companies offer several brands in different price ranges to provide for this.

Canadian beer industry volume in 1982 was slightly below that of 1981 due to unfavourable weather conditions and the economic environment. Despite unchanged United States beer consumption in 1982, the volume of imports from Canada grew. Lower raw material prices during 1982 contributed to improved margins.

The average annual volume increase in beer sales appears to be settling in the region of 1%. Because the beer industry can therefore be classified as a mature industry, product differentiation to cater for different market segments is likely to increase. Consequently, an increasing number of new product introductions are likely to appear including light and premium beers. To a certain extent the success of Canadian beer in the United States market is a symptom of the mature state of that market.

Canadian consumption of both domestically produced and imported wines grew in 1982. Notwithstanding the volume improvements experienced by Canadian wines in 1982, very competitive pricing conditions prevailed due to excess capacity.

Sales of Canadian cheese continued to increase in 1982 due to a continuation of overall domestic market growth and increased exports. Flour sales during 1982 were adversely affected by lower exports, particularly to the Soviet Union. Both starch and gluten sales were adversely affected by the very unfavourable economic environment. Corn sweeteners continued to suffer during 1982 from low sugar prices, although the product continues to increase market penetration in Canada.

U.S. tissue industry sales volumes in 1982 were slightly below the previous year's level in a very difficult pricing environment, particularly on the West Coast. The U.S. market for heavier grade coated printing and publishing papers contracted during 1982 although some improvement began to appear in the latter part of the year. Difficult pricing conditions also prevailed in the printing and publishing papers markets.

The most recent American Paper Institute's Capacity Survey published in mid-December indicated that tissue capacity expansions planned over the next three years correspond to only about a 1% annual compound growth rate, indicating an improving supply and demand balance over this period.

The wide variety of paper and food products made by Scott and Labatt are used by more than 100 million families.

John Labatt Limited: 40%

Labatt is a broadly based food and beverage company with interests in three major business areas: brewing, packaged foods and agri products.

Summarized Financial Information millions	October 31 **1982**	1981
Total assets	**$ 943.9**	$ 895.7
Shareholders' equity	**361.8**	317.0
Total revenue	**2,157.1**	1,815.6
Net income	**60.9**	53.0
Earnings per share	**4.49**	4.01
Cash flow from operations	**126.5**	107.4

Gross sales for the twelve month period ended October 31, 1982 increased by 19% to $2.2 billion from $1.8 billion previously. Earnings growth of 15% was primarily centred in the Brewing Group, aided by an improvement in net sales value and operating efficiencies. The full year impact of the Dominion Dairies acquisition by Ault Foods and other recent acquisitions by Ault further contributed to the improvement in results.

Brewing Group

The Brewing Group showed improved earnings over the past year despite a 1% decline in industry volume. Labatt's share of the Canadian beer market improved slightly during the year. The momentum created by the introduction of Budweiser in April 1981 has continued through the year. Labatt's exports to the U.S. were improved although volumes for the total U.S. beer industry remained unchanged from the previous year. During the year, market expansion was undertaken in the Great Lakes region and the Southern Sunbelt.

Packaged Food

The Packaged Food Group's earnings improved over last year as significant gains were made in all divisions except confectionery. Laura Secord, which Labatt sold late in 1982, saw profits fall as confectionery sales showed a marked decline. Catelli experienced strong retail sales growth, despite intense competitive activity in the grocery business, primarily through Five Roses Flour. Chef Francisco's food service business expanded through the acquisition of Kim Products, a southern U.S. processor of frozen vegetables. Canadian wines, despite very competitive conditions, had good volume and earnings growth on continued strong market performance of Alpenweiss and the introduction of Capistro, a light wine, in mid-year. U.S. wines, although better than last year, remained below expectations due to adverse market conditions.

Agri Products

The Agri Products Group showed improved earnings over the prior year. The effect of recent acquisitions, including a full year's results at Dominion Dairies combined with strong export sales and improved margins, resulted in earnings gains at Ault Foods. At Ogilvie Flour, export sales, particularly to the Soviet Union, fell significantly below last year. At Industrial Grain Products starch volumes were depressed by market downturns in the textile, corrugated paper, feed and food starch industries and gluten volumes were lower due to increased international competition and the strengthened Canadian dollar against European currencies.

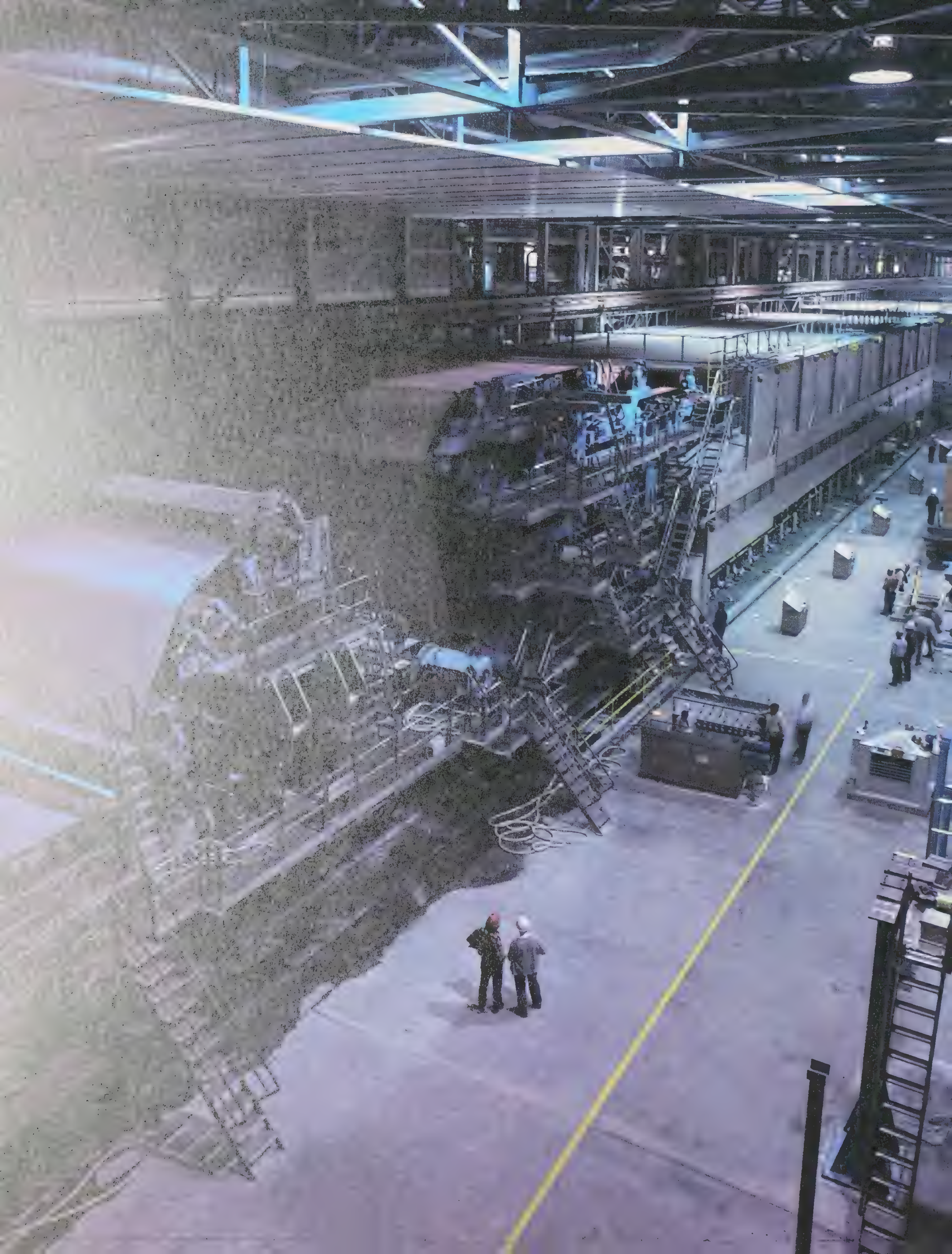
Partly-owned Businesses

Results from partly-owned businesses continued to be affected by unfavourable market conditions. Zymaize made progress but current low sweetener prices and a depressed economy resulted in losses for the year. A major expansion to produce a higher concentrate sweetener used by the soft drink industry is scheduled for completion during March, 1983. Allelix, a joint venture with the Canada Development Corporation and the Government of Ontario, was formed during the year to develop commercially viable biotechnically based products and processes.

Corporate

Labatt's business development continues to be focused on upgrading its existing businesses and improving the balance of earnings among its major operating groups. The sale of Laura Secord for approximately $40 million, completes the company's planned withdrawal from retail operations.

In addition to being the dominant Canadian brewer, Labatt is the leading flour miller, dairy processor and supplier of many well known Canadian food products.



Scott Paper Company: 24%

Scott, together with its international affiliates, is the world's largest producer of sanitary tissue products. The S.D. Warren Division is a major manufacturer of printing and publishing papers. Scott owns more than three million acres of woodlands in the United States, Canada and Brazil. Internationally, affiliated companies have operations in 21 countries.

Summarized Financial Information

millions	1982	1981
Total assets	**U.S.$2,382.4**	U.S.$2,298.7
Shareholders' equity	**1,283.5**	1,280.5
Sales	**2,293.4**	2,309.4
Income before share of earnings of international affiliates	**114.2**	97.4
Net income	**74.5**	133.3
Earnings per share	**1.61**	3.22
Cash flow from operations	**286.1**	191.8

Income from domestic operations reached a record high of U.S.$122.3 million, an increase of 15% over 1981. Net income, however, was U.S.$74.5 million, down from U.S.$133.3 million in 1981. The decrease was due to a substantial decline in Scott's share of the earnings of its international affiliates, principally because of the impact of the Mexican peso devaluation.

Packaged Products

The Packaged Products Division, Scott's largest operation, recorded the highest earnings in its history, up 41% to U.S.$119.6 million. The results reflect the successful and ongoing implementation of cost improvement plans initiated under the Scott Strategic Plan during the past two years to reduce the division's manufacturing and distribution costs.

Sales decreased slightly to U.S.$1.5 billion on lower unit volume, the result of Scott's strategy of eliminating unprofitable sales and seeking incremental volume only when profitability can be realized.

Printing and Publishing Papers

The sales of the S.D. Warren Division were U.S.$572 million in 1982, down slightly from 1981's record level. Operating profits fell to U.S.$39.2 million from U.S.$59.8 million in 1981, due principally to year-long weak markets for coated and uncoated printing and publishing paper. In spite of the recessionary environment and increasingly competitive markets, the division was able to maintain its market share for printing and publishing paper.

Major focus was placed on starting up a new paper machine at Skowhegan, Maine, which will produce 200,000 tons per year of lighter-weight, high-quality coated paper for the fast-growing catalog, newspaper insert, specialty magazine and textbook markets.

Natural Resources

Scott's forest products and minerals business, which is managed by the Natural Resources Division, was impacted in 1982 by severely depressed economic conditions which continued to affect the sale of forest products. Sales decreased slightly to U.S.$64 million while operating profits declined to U.S.$14.5 million from U.S.$21.1 million in 1981, primarily because of lower prices.

The Natural Resources Division was established late in 1981 to maximize returns from Scott's woodlands, and to develop and implement a strategy for managing a greatly enlarged pulp marketing business.

International Operations

Although combined sales of the company's unconsolidated international affiliates increased to U.S.$1.4 billion and unit volume grew over 1981, Scott's share of their earnings fell from U.S.$36 million in 1981 to a loss of U.S.$39.8 million in 1982. The decrease was principally due to currency losses from Scott's 49% owned Mexican affiliate. Additionally, most of Scott's international affiliates were adversely affected by a strong U.S. dollar and the worldwide recession.

Until 1982, Scott's share of the earnings of its international affiliates showed an annual growth of 16.1% over ten years. As the worldwide economy improves and industry growth rates are restored, Scott's international business is expected to return to former levels of profitability.

Corporate

Significant headway was made in implementing and improving the long range Scott Strategic Plan embarked upon two years ago. The company continued to move aggressively toward full cost-competitiveness by closing inefficient plants, decreasing fiber and energy costs, reducing its salaried and hourly work force by over 1,600 people, and substantially lowering manufacturing and distribution costs.

Scott's newest paper machine in Skowhegan, Maine, extending the length of more than two football fields, is the largest of its kind in the world.


Trilon
Financial
Corporation
London
Life

Review of Operations: Financial Services

Trilon Financial Corporation: 49%

Trilon was formed in 1982 to acquire investments in life insurance and other financial services businesses in Canada and the United States. In due course, it is expected that Trilon will participate in a limited number of major financial services enterprises that have superior profit characteristics.

Summarized Financial Information

millions	**1982**	1981
Total assets	**$4,625.9**	$4,200.2
Shareholders' equity	**178.8**	158.8
Total income	**1,161.0**	1,016.3
Net income	**23.8**	23.0
Earnings per share	**2.38**	2.30

For comparative purposes London Life is assumed to have been part of Trilon for both reporting periods.

The financial services area is an integral part of all business activity and is also performing an increasingly important role in meeting the financial needs of individuals. Recent developments in the financial services sector indicate that there are significant opportunities for Trilon in both financial intermediary activities and in providing financial services for fees.

Increasingly, financial services companies are competing against each other for the customer's savings dollar as well as for profitable investment opportunities. This is reflected in the wider range of products offered and the activities of the individual companies which dictate that only the well structured and efficient companies are likely to prosper. Many companies have found it necessary to restructure in order to reach beyond their regulatory framework and broaden their scope of operations.

Trilon's opportunity in this environment is to provide a wide range of financial services, and to become the strong market leader in each of its areas of operations. Trilon's challenge will be to provide financial services more efficiently, with a higher level of expertise and at an acceptable cost to meet the demands of the marketplace.

Trilon's financial resources and depth and quality of management will enable it to be a leader in product innovation. It also has the opportunity to capitalize upon advances in technology in order to realize the efficiencies inherent in the combination of complementary business activities and distribution systems in the financial services world.

Trilon's initial investment in London Life was achieved through a share exchange in late 1982. This investment provides Trilon with an immediate and substantial operating base. As Trilon is not subject to the regulatory constraints which apply to London Life, it has greater flexibility in acquiring or developing a broader range of financial services activities. Trilon's shares were officially listed on all major Canadian stock exchanges in February, 1983. Trilon plans to increase its equity capital base by a public offering of shares in 1983 in order to provide funding for future acquisitions and investment purposes.

During 1983 Trilon will be considering a number of additional acquisitions, including the opportunity provided by Brascan to acquire its 18% investment in Canada's largest trust company, Royal Trustco. In addition, it will continue to closely monitor developments and changes, including regulatory changes, taking place in the financial services marketplace so as to take advantage of opportunities as they arise.

Legislation is expected to be introduced in 1983 dealing with the manner in which Canadian loan and trust companies will operate. Suggestions have been made that ownership limitations, similar to those applicable to banks, should be introduced. Brascan is of the opinion that it is wrong and against the public interest to impose arbitrary limitations on ownership in a free enterprise society when there exists an adequate system of corporate law and regulation to deal with potential or perceived conflicts of interest. While the existing framework within which loan and trust companies operate may be improved, fundamental ownership rights should not be dramatically changed unless there are compelling public policy reasons to do so. These public policy reasons have not been demonstrated to date.

Important first steps were taken in 1982 to introduce Trilon into the forefront of the financial community and into the homes of Canadians. During 1983 Trilon expects to pursue an aggressive pattern of growth, with resulting benefits for all shareholders.

Trilon's principal subsidiary, London Life provides more individual insurance policies to Canadians than any other company.

London Life Insurance Company: 98%

London Life is a Canadian life insurance and financial services company providing insurance and other personal benefit services to more than two million Canadians.

Summarized Financial Information

millions	1982	1981
Life insurance in force	**$39,828.0**	$36,179.0
Total assets	**4,618.3**	4,200.2
Policyowners' and shareholders' equity	**504.4**	471.9
Premium and investment income	**1,161.0**	1,016.3
Net income attributable to shareholders	**23.8**	23.0
Earnings per share	**47.54**	46.05

1982 was a record year in most areas of the company's operations. Premium income increased 9.3% to $717 million while investment income increased by 18.3% to $418 million. Net income attributable to shareholders was $23.8 million compared to $23 million in 1981. Earnings per share increased to $47.54 from $46.05 in 1981.

Total assets reached $4.6 billion at year end, an increase of $418 million or 10.0% from 1981, continuing the positive growth pattern of recent years. The bond portfolio was increased $304 million in order to reduce the proportion of mortgages in the investment portfolio, to improve yields and to reduce the term of the portfolio. Policy loans increased 8.8% over 1981, the lowest rate of increase since 1978.

New policy sales volume showed a modest increase in both individual and group products despite recessionary conditions and severe price competition. This performance resulted from an increase in sales force size, productivity and successful new product introductions.

New sales of life insurance in 1982 increased by 32.2% to $5.8 billion. At year end, total life insurance in force was $39.8 billion as London Life continued to lead the industry in Canada with an individual life insurance in force portfolio of $24.2 billion.

Dividends paid to participating policyholders of $151.1 million in 1982 is the highest amount paid in the company's history and represents a 16.2% increase over the amount paid in 1981. Dividends paid to shareholders in 1982 increased to $13.00 per share from $11.00 per share in 1981, another company record.

Royal Trustco Limited: 18%

Royal Trustco, Canada's largest trust company, provides a broad range of financial intermediary and other fiduciary and related services throughout Canada and internationally.

Summarized Financial Information

millions	1982	1981
Total assets under administration	**$35,951.0**	$33,360.0
Total corporate assets	**9,793.3**	9,037.6
Shareholders' equity	**410.1**	345.0
Total revenue	**1,465.0**	1,420.8
Net income	**43.6**	39.4
Earnings per share	**1.97**	1.82

Notwithstanding a difficult year for the economy, Royal Trustco reported a 10.9% increase in net income to $43.6 million. Significantly higher earnings in financial intermediary services were partially offset by lower earnings from trust and fiduciary services and a loss from residential real estate services.

Financial intermediary net income increased 54.6% to $36.9 million. Significantly lower interest rates in the latter half of 1982 resulted in improved net interest rate margins. Opportunities were taken to match existing term liabilities with new term mortgages at very favourable margins.

Trust and fiduciary services net income of $13.6 million was 14.2% lower than 1981. Increased personal trust fees were offset by reduced corporate transfer and investment management fees, both of which were negatively impacted by the lower level of corporate business activity in Canada.

Real estate sales recorded a loss of $6.9 million compared to a loss of $0.3 million in 1981. Excluding one-time costs incurred in closing marginal branch operations, results in the second half of the year were close to break even. Cost cutting and other efficiencies in this area of operations should lead to improved results in 1983.

During the year, senior management expended considerable effort on the formulation of a strategic business plan as a result of which major thrusts are to be made in the areas of marketing and service.

Royal Trustco's equity base was supplemented in October 1982 through the issue of approximately $50 million of preferred shares.

Royal Trustco, through its 249 offices in Canada and 38 internationally, has $36 billion of assets under administration.

Review of Operations: Other

Great Lakes Power Group: 49%

Great Lakes Power generates and distributes hydro-electric power in Northern Ontario and has other investment activities.

Summarized Financial Information

millions	1982	1981
Total assets	**$405.9**	$272.8
Shareholders' equity	**173.9**	168.5
Total revenue	**56.5**	50.6
Net income	**8.3**	4.3
Cash flow from operations	**15.6**	13.6

Despite a decrease in energy sales of 11.2% from 1981 to 1.9 million megawatt hours, revenues for 1982 increased 12.5% over 1981 to $56.5 million with a resulting increase in net income from $4.3 million to $8.3 million.

Following the first quarter, steel markets weakened and energy use by the company's major customer declined 19.5% from 1981. Energy requirements for customers in the forest products and paper industries declined by 10.5%. Energy use by the City of Sault Ste. Marie increased 2.7% from 1981.

As a result of reduced sales, improved water supplies on the northern river systems, and the start-up of the first unit of the new generating plant, purchased power requirements were 11% below those of 1981. Great Lakes Power generation provided 45.5% of the total system requirements during the year. With the commissioning of the new plant, Great Lakes Power will generate approximately 70% of its power requirements in 1983.

Capital expenditures were $48.1 million, most of which was related to the new generating plant on the St. Mary's River. Total cost of the project was $115 million, including interest capitalized during the construction period.

The investment division of Great Lakes Power Group complements and supports the financial requirements of the utility division. Its holdings include a number of portfolio investments as well as an 80% interest in GLN Investments Limited which, in turn, owns a 17% interest in Union Gas Limited.

Early in 1983 Great Lakes Power acquired Brascan's 23% interest in Consumers Glass Company Limited.

Brascan Brazil: 100%

Brascan Brazil's major operations are in natural resources, real estate development and financial services.

Equity Interest

millions	1982	1981
Real estate development	**$ 92.5**	$ 76.6
Natural resources	**27.9**	33.4
Consumer and industrial products	**21.2**	19.1
Financial services	**9.4**	6.0
Other assets less liabilities	**26.4**	33.5
Total equity	**$177.4**	$168.6

Brascan's financial statements reflect only the $50.4 million equity in those Brazilian companies having registered capital, and income from these investments is only recorded when dividends are received in Canada. The group recorded a profit of $17.8 million in 1982 compared to $8.5 million in 1981.

Brascan Imobiliária S.A., initiated ten projects and completed eight in 1982 in Rio de Janeiro and São Paulo and has assembled a substantial land bank for future residential and commercial development. In addition, Brascan Brazil has a 60% interest in the Intercontinental Rio Hotel and a 45% interest in six cattle ranches comprising more than 100,000 acres of prime farmland.

Brascan Recursos Naturais S.A.—BRN, the 50% tin mining and smelting joint venture with British Petroleum Limited, expanded its tin production from 2,197 tons in 1981 to 2,348 tons in 1982 and increased exploration expenditures with encouraging results in locating new reserves.

Brascan Brazil's recent re-entry into the financial services sector will supplement the financial needs of the operating companies and is expected to be an important profit contributor in future years.

In the consumer and industrial products area, Brascan Brazil continued to hold a 30% interest in FNV, a metal fabricator and manufacturer of heavy equipment, and a 45% interest in the Swift-Armour meat packing operations.

The nature of Brascan Brazil's holdings substantially insulates the group from loss in underlying asset values resulting from currency devaluations.

Great Lakes Power was in the forefront of new generating technology in North America with its recently commissioned hydro-electric facility in Northern Ontario.

Management's Responsibility

To the Shareholders:

The accompanying financial statements have been prepared by the management of the company which is responsible for their integrity and objectivity. To fulfil this responsibility, the company maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs.

Touche Ross & Co., the auditors appointed by the shareholders have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report as auditors is set forth below.

The statements have been further examined by the Board of Directors and its Audit Committee. This Committee meets regularly with the auditors and management to review their activities and reports to the Board of Directors. The auditors have direct and full access to the Audit Committee.

Toronto, Canada
March 8, 1983

Robert A. Dunford
Senior Vice-President

Auditors' Report

To the Shareholders of Brascan Limited:

We have examined the consolidated balance sheet of Brascan Limited as at December 31, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 8, 1983

Touche Ross & Co.
Chartered Accountants

This carved ivory tusk from Brascan's corporate collection of Inuit and Indian artifacts on display in the Toronto board room, symbolizes Brascan's interest in the development of Canada's frontier regions with their vast resource potential.

Consolidated Balance Sheet

December 31 millions	1982	1981
Assets		
Cash and other investments	**$ 368.8**	$ 400.3
Loans and accounts receivable (note 2)	**162.3**	148.7
Corporate investments (note 3)	**2,501.9**	2,486.5
Property and equipment (note 4)	**306.4**	212.6
Other assets	**25.6**	18.1
	$3,365.0	$3,266.2
Liabilities		
Bank indebtedness	**$ 74.5**	$ 32.4
Accounts payable	**40.6**	42.4
Dividends and interest payable	**24.6**	39.4
Term debt (note 5)	**1,030.8**	952.3
	1,170.5	1,066.5
Deferred income taxes	**65.6**	44.0
Minority interest	**898.3**	905.3
Shareholders' equity (note 6)	**1,230.6**	1,250.4
	$3,365.0	$3,266.2

(See accompanying notes)

On behalf of the Board:

J. Trevor Eyton, Director

Jack L. Cockwell, Director

Consolidated Statement of Income

Years ended December 31 millions	1982	1981
Income by segment before unallocated expenses		
Natural resources	$ 56.1	$ 54.3
Consumer products	43.3	49.0
Financial services	15.7	12.4
Other operations	10.6	3.7
Investment and other income (note 3)	133.2	131.7
	258.9	251.1
Unallocated expenses		
Interest on debt	151.9	119.3
Corporate expenses	6.5	6.6
Income and resource taxes	19.9	1.8
Minority interest	20.5	15.5
	198.8	143.2
Net income for year	$ 60.1	$107.9
Earnings per share after preferred dividends	$ 1.04	$ 3.30

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

Years ended December 31 millions	1982	1981
Funds provided		
Operations	**$ 77.5**	$ 85.0
Term borrowings	**326.4**	700.6
Preferred shares issued—net	**—**	298.1
Minority interests	**24.1**	857.3
Reduction in corporate investments	**2.5**	59.9
Reduction in debentures and loans receivable	**16.2**	13.8
	446.7	2,014.7
Funds used		
Corporate investments		
Natural resources	**7.1**	1,505.9
Consumer products	**28.0**	288.0
Financial services	**.9**	78.2
Other operations	**5.7**	5.1
Expenditures on property and equipment	**77.3**	49.7
Reduction in term debt	**255.5**	68.2
Dividends		
Corporate	**79.6**	65.7
Minority interests	**41.7**	17.4
Miscellaneous	**24.5**	(13.7)
	520.3	2,064.5
Decrease in cash and other investments, net of bank indebtedness	**73.6**	49.8
Balance, beginning of year	**367.9**	417.7
Balance, end of year	**$294.3**	$ 367.9

(See accompanying notes)

Consolidated Statement of Retained Earnings

Years ended December 31 millions	1982	1981
Balance, beginning of year	**$730.3**	$691.2
Net income for year	**60.1**	107.9
Share issue expenses	**—**	(3.1)
	790.4	796.0
Dividends declared		
Preferred	**32.6**	20.9
Ordinary	**47.0**	44.8
	79.6	65.7
Balance, end of year	**$710.8**	$730.3

(See accompanying notes)

Notes to Consolidated Financial Statements

Summary of Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada and consistently applied.

Accounting for Investments

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the company and all companies over which it has voting control, other than those operating in Brazil.

The principal operating subsidiaries included in the consolidated financial statements are:

% Owned	1982	1981
Brascade Resources Inc.	**70%**	70%
Westmin Resources Limited	**67**	84
61% effective March, 1983		

The costs of acquiring each subsidiary are allocated to its identifiable net assets on the basis of the lower of acquisition cost and estimated fair values at the date of purchase.

Corporate Investments

Investments outside Brazil in which significant influence exists are carried on the equity method. Equity in the income of these investments is based on income as reported by the investee adjusted for the difference between acquisition costs and the underlying net book value of investees' assets.

Brascan Brazil is carried at cost and represents the investment in those companies whose capital is registered under Brazilian foreign investment legislation. The investment in the company whose capital is not registered is not reflected in the financial statements. Income is recognized only when received.

The voting interests in corporate investments are:

	1982	1981
Natural Resources		
Noranda Mines Limited (1)	**42%**	42%
Lacana Mining Corporation	**25**	24
Consumer Products		
John Labatt Limited	**40**	41
Scott Paper Company (2)	**24**	21
Financial Services		
Trilon Financial Corporation (3)	**49**	39
Royal Trustco Limited (4)	**18**	18
Other Operations		
Great Lakes Power Investments Limited	**49**	49
Brascan Brazil	**50 to 100**	49 to 100

1. From October 1, 1981 and fully diluted.
2. From April 1, 1981.
3. Including shares held by Great Lakes Power Investments Limited.
4. From July 1, 1981.

The accounting policies of investees are generally in accordance with those of Brascan Limited except in the areas of foreign currency translation and inventories. In the case of London Life Insurance Company (a subsidiary of Trilon Financial Corporation) the accounting policies followed are as prescribed or permitted by the Department of Insurance of Canada.

Other Investments

Other investments consist mainly of common and preferred shares and are carried at cost.

Foreign Currency Translation

The company maintains overall balanced foreign currency positions with foreign currency amounts being translated into Canadian dollars as follows:

Monetary assets and liabilities and the carrying value (on the equity method) of the investment in Scott Paper Company at period-end rates of exchange;

Other assets and liabilities at historic rates of exchange;

Revenues and expenses at average rates of exchange for the period.

These procedures give rise to exchange translation gains and losses, the net amounts of which are included in income.

Petroleum Properties and Equipment

The full cost method of accounting is used whereby all costs associated with exploration for and development of oil and gas are capitalized by cost centre until commencement of production and then amortized on the revenue depletion method (the unit of production method in prior years) over estimated proven reserves. The cost of petroleum plant and equipment is depreciated based on production.

Mining and Mineral Exploration

Mineral exploration costs pertaining to individual mineral prospects (excluding coal properties) are charged to income as incurred until an economic orebody is defined. Until commercial production begins, coal properties are carried at cost, less any amounts written off in recognition of a permanent decline in value. The costs of mine plant and equipment, together with mineral exploration costs capitalized, are amortized based on the unit of production method over the estimated life of the ore reserves.

2. **Loans and Accounts Receivable**

Loans and accounts receivable include $87.6 million (1981—$99.4 million) due from Brazilian government agencies and denominated in United States dollars and $8.0 million (1981—$8.1 million) due from officers and directors under the company's share purchase plans.

3. **Corporate Investments**

	December 31	
millions	**1982**	1981
Natural Resources		
Noranda Mines Limited	**$1,672.6**	$1,758.0
Lacana Mining Corporation	**29.1**	27.4
	1,701.7	1,785.4
Consumer Products		
John Labatt Limited	**193.5**	179.6
Scott Paper Company	**361.2**	299.2
	554.7	478.8
Financial Services		
Trilon Financial Corporation	**54.1**	47.2
Royal Trustco Limited	**81.3**	78.5
Triarch Corporation Limited	**—**	2.5
	135.4	128.2
Other Operations		
Great Lakes Power Investments Limited	**59.7**	49.6
Brascan Brazil	**50.4**	44.5
	110.1	94.1
	$2,501.9	$2,486.5

Included in the carrying values of corporate investments on the equity method is $350 million (1981—$383 million) representing the remaining unamortized excess of acquisition costs over underlying net book value of the investees' assets. This amount relates principally to property, plant and equipment of investees and is being amortized over the estimated useful lives of the assets.

During the year the investment in London Life Insurance Company was exchanged for shares of Trilon Financial Corporation (Trilon). Trilon then increased its interest in London Life Insurance Company to 98% through a public share exchange offer.

During the year the 49% interest in the Brazilian forest products venture with MacMillan Bloedel Limited was restructured and an effective 17% interest in Westmin Resources Limited was sold, reducing the interest in Westmin to 67%, and the resulting gains have been included in investment and other income.

Property and Equipment

millions	1982			1981
	Cost	Accumulated depreciation and depletion	Net	Net
Petroleum	**$290.8**	**$37.6**	**$253.2**	$181.2
Mining	**60.1**	**14.0**	**46.1**	24.2
Coal properties and other	**9.2**	**2.1**	**7.1**	7.2
	$360.1	**$53.7**	**$306.4**	$212.6

Term Debt

millions	1982	1981
Term bank loans due 1983 to 1991	**$ 889.9**	$ 660.5
Promissory note	**61.8**	168.8
8¼% bonds due annually 1983 to 1987	**13.9**	16.0
8 3/10% loan due annually 1983 to 1988	**31.8**	35.6
8½% bonds due annually 1983 to 1988	**33.4**	39.5
9¾% notes	**—**	31.9
	$1,030.8	$952.3

The promissory note bears interest at the ninety day bank rate and is due at the holder's option on ninety days' notice.

Maturities, excluding the promissory note, during the next five years are as follows:

millions	
1983	$ 31.2
1984	345.7
1985	71.9
1986	88.1
1987	104.3

6. **Shareholders' Equity**

Share capital—

Authorized:

578	6% cumulative voting preference shares convertible into ordinary shares (1981—578)
Unlimited	1976 voting preferred shares issuable in series
Unlimited	1981 preferred shares issuable in series
Unlimited	Class A ordinary shares
Unlimited	Class B ordinary shares
5,000,000	Class C ordinary shares

millions		1982	1981
Issued and outstanding:			
578	6% preference shares (1981—578)	**$ .1**	$ 1
1,389,100	1976 8½% tax deferred preferred shares Series A (1981—1,393,500)	**34.7**	34.8
3,972,000	1981 $2.6875 preferred shares Series A (1981—3,980,000)	**99.3**	99.5
8,000,000	1981 floating rate preferred shares Series B and C	**200.0**	200.0
26,465,943	Ordinary shares (1981—26,465,920)	**185.7**	185.7
		519.8	520.1
Retained earnings		**710.8**	730.3
		$1,230.6	$1,250.4

(a) 1976 Preferred shares

The Series A and Series B 1976 preferred shares rank equally and are entitled to preference over the 1981 preferred shares and the ordinary shares on the declaration of dividends and on distribution or winding up.

The first series of preferred shares consists of 1,389,100 8½% cumulative redeemable Series A preferred shares, issued and outstanding, designated as "8½% tax deferred preferred shares Series A", and the second series consists of 1,400,000 10% cumulative redeemable preferred shares Series B, none of which have been issued. Each Series A share is convertible after April 15, 1988, into one Series B preferred share. Dividends on the Series A shares will continue to be treated as tax-deferred income in the hands of Canadian shareholders until 1988.

The preferred shares are subject to a maximum non-cumulative quarterly purchase obligation totalling 4,667 shares per month at prices up to $25.00. After July 15, 1983, the company may redeem the 8½% Series A preferred shares at a premium of $1.00 per share reducing by $0.25 annually to 1987 and at $25.00 thereafter.

(b) 1981 Preferred shares

The Series A, B and C 1981 preferred shares rank equally and are entitled to preference over the ordinary shares on the declaration of cumulative dividends and on distribution or winding up and rank junior to the 1976 preferred shares.

The 1981 Series A preferred shares are retractable at the option of the holder at par on May 15, 1986 and are redeemable by the company on or after that date at a premium of $1.25 reducing by $0.25 annually to 1991 and at $25.00 thereafter.

These shares are subject to a maximum quarterly purchase obligation at prices up to $25.00 per share, cumulative annually and totalling 20,000 shares, to June 30, 1986 and thereafter to a quarterly maximum of 1%, 4% cumulative annually, of the number outstanding at May 15, 1986.

The 1981 Series B and Series C preferred shares are retractable at the option of the holder commencing June 30, 1986 and, are required to be redeemed on June 30, 1991.

The shares are entitled to dividends at a floating rate equal to one half of the average prime commercial lending rate plus 1½%.

(c) Ordinary shares

number of shares	1982	1981
Class A convertible	**26,781,459**	26,207,267
Class B convertible	**176,461**	754,066
Class C convertible	**1,801,545**	1,798,109
Issued and outstanding	**28,759,465**	28,759,442
Less Class A convertible shares, non-voting, held by a subsidiary (cost—$25.2 million)	**2,293,522**	2,293,522
	26,465,943	26,465,920

The Class A, B, and C ordinary shares rank equally in all respects except for the following:

Class A and Class B shares are fully interconvertible at the option of the holder.

Dividends on Class B shares may be paid by way of stock dividend.

Class C shares are convertible into Class A shares at the option of the holder.

Class C shares are non-voting unless the company has failed to pay any dividend on the shares for two consecutive years.

Other changes in the number of Class A, B and C shares outstanding from year to year reflect shares issued upon the conversion of preference shares, conversions by the holders among the classes and shares issued under the company's share purchase plans.

Income Taxes

Non-capital losses in excess of $100.0 million are available to reduce such taxable income as may arise in the future.

Corporate tax returns of the company have been examined by the authorities for years up to December 31, 1977 with no major adjustments to returns as originally filed. Examination of income tax returns for subsequent years has yet to be completed.

8 **Commitments and Contingencies**

Subsequent to the sale of the Brazilian electric utility, two legal proceedings were initiated in 1979 in Brazil seeking to reverse the sale to Eletrobrás. These proceedings were commenced under a law permitting private citizens to dispute government actions alleged to be against the national interest. The two proceedings were combined, and upon judgment, the action was found to be without cause. The Plaintiff appealed the judgment and the appeal was dismissed in March 1983.

Based on the latest actuarial valuations of the various retirement plans covering most employees in Canada, there are no major unfunded obligations for past service costs.

9. **Comparative Figures**

Certain of the prior year's accounts have been reclassified to conform with the 1982 presentation.

10. **Other Information**

(a) The directors have determined the classes of business of the company on the basis of its principal areas of investment—natural resources, consumer products and financial services.

(b) Segmented information for consolidated operations —natural resources:

millions	1982	1981
Gross operating revenue		
Petroleum	**$ 70.4**	$ 54.6
Mining	**47.6**	41.0
	$118.0	$ 95.6
Income for the year	**$ 91.1**	$ 52.2
Identifiable assets at December 31	**444.5**	325.6
Capital expenditures for the year	**77.2**	48.6

(c) Income before unallocated expenses has been determined after the following:

millions	1982	1981
Equity in income of corporate investments	**$ 13.1**	$ 38.2
Dividend income	**40.2**	38.0
Gains on disposal of investments	**92.2**	50.8
Foreign exchange losses (gains)	**1.6**	(.1)
Depreciation, depletion and amortization	**8.8**	8.3

millions	1982	1981
(d) Interest on debt with a term of less than one year	**$ 17.4**	$ 30.0
Deferred income and resource taxes	**21.5**	(5.4)

(e) The company and certain of its affiliates arrange, without cost, investment transactions on behalf of other affiliates. In addition, financing transactions with affiliates are carried out at normal market terms. Such transactions were not significant in relation to the aggregate of similar transactions by the company and its affiliates.

Directors

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Brascan Brazil

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Annual Report

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Rapport Annuel

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